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SUBJECT: BELARUS WEEKLY POL/ECON REPORT - October 24, 2008

¶1. The following are brief items of interest compiled by Embassy Minsk.

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Civil Society

¶12. Popular Front Celebrates 20th Anniversary

On October 18, the Belarusian Popular Front held a commemorative event at its headquarters to mark the 20th anniversary of its founding. The Minsk city authorities and the Presidential Administration's Property Management department denied the party rental of any large premises in town on October 16. BPF members reported that vandals broke its office's windows the night of October 18 and posted a sticker with the emblem of the unregistered Russian National Bolshevik Party on the door. The party did not report the attack to police after five unsuccessful appeals to investigate similar vandal attacks.

¶13. Democratic Seniors Denied Registration

The Justice Ministry denied yet again registration to the association of democratic seniors, Our Generation, on October 20. Following elevated pressure and numerous interrogations of association members, the Ministry alleged that the submitted registration application contained fraudulent information regarding its founders and the venue of the founding convention. The group was established on August 17 to defend the rights of retirees and advocate social security reforms.

¶14. Independent Election Observer Fined

On October 10, a Yelsk district court fined in absentia United Civil Party member and parliamentary elections independent observer Denis Ryabenok USD 500 for allegedly violating electoral law. Ryabenok received official notification of court evasion and was fined on October 20. The local prosecutor's office questioned the observer before the elections and charged him with illegally collecting signatures in support of an opposition hopeful.

¶15. Opposition Youth Leader Detained and Interrogated

On October 17, Russian border guards and secret service detained and interrogated Belarusian Popular Front youth branch leader Franak Vyachorka at a Moscow airport. Warsaw-bound Vyachorka, banned from leaving Belarus for alleged draft evasion, was questioned for over an hour and released without charges. Vyachorka asserted he would appeal to Russian and Belarusian law enforcement agencies to investigate the legal grounds for his detention.

Domestic Economy

¶16. Lukashenko Wants to Make Belarusian Banks Attractive to Foreigners

The Presidential press service reported that Lukashenka instructed National Bank Chairman Pyotr Prokopovich on October 17 to draft promptly a decree, which would guarantee all deposits in Belarusian banks regardless of their size. This decree will allow unlimited and undeclared deposits in Belarusian banks by foreign citizens. Lukashenko requested that the Chairman also urgently draft regulations to launch Belarus onto the list of the world's top

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thirty economies based on securing the most favorable loan conditions.

¶17. National Bank Optimistic about Foreign Investment in Belarusian Banks

The National Bank reported on October 17 that the share of foreign capital in the USD 2.5 billion aggregate charter fund of the country's thirty banks was 22.5 percent as of October 1 compared with 9.8 percent on January 1, 2008. The share is expected to grow to 30 percent by the end of the year, which is still below the authorized limit of 50 percent. Currently, twenty-four Belarusian banks have foreign investors, of which nineteen are more than 50 percent foreign-owned. Seven banks are one hundred percent foreign-owned.

¶18. Russian Embassy Skeptical about Large Russian Investment in Belarus

The Economic Counselor of the Russian Embassy in Minsk Andrei Kuznetsov told the Prime-Tass news agency on October 20 that the global financial crisis complicates discussions of large investment projects in Belarus. He stated that Russian investors have other priorities, as they lack sufficient funding. Lower demand makes Belarusian industrial assets cheaper, and the Counselor opined that now is not the optimal time to privatize them. Some independent Belarusian economic analysts nevertheless believe Russians and the corrupt Belarusian elite will attempt to sell the assets at bargain prices.

¶19. Large Banking Investments Postponed Indefinitely

Chairman of the Board of Directors of Belarus' leading auditing and investment company UNITER Vladimir Vasilevsky told Prime-Tass news agency on October 20 that large foreign investment banks, including Barclays, UniCredit, and Goldman Sachs, have indefinitely postponed plans to invest in Belarus. He said the global financial crisis made highly unlikely the purchases of stocks in Belarus' five leading banks by strategic investors from the world's top twenty-five banks in the near future.

¶10. Russia to Issue Stabilization Loan to Belarus

Russia's Finance Minister Alexei Kudrin announced on October 21 that his government will issue USD 2 billion stabilization loan to Belarus. The first portion of USD 1 billion will be transferred before the end of this year, and another part is to be transferred next year. The Finance Minister declined to comment on the terms of the loan. In 2007, Russia granted a 15-year, 1.5 billion loan to Belarus under very beneficial terms.

¶11. Belarus Requests Financial Assistance from the IMF

The GOB approached the International Monetary Fund (IMF) on October 17 with a request to provide USD 2 billion in financial assistance under a program that could be supported by a Stand-By Arrangement (SBA). IMF Managing Director Dominique Strauss-Kahn issued a statement on October 22 that acknowledges that the global financial crisis has adversely affected the Belarusian economy and its access to external finance. Changing conditions in trade have negatively affected the country's balance of payments. Belarus' National Bank officials claim the country has no crisis-related problems but need the SBA to prevent such problems. IMF will send a mission before the end of October to discuss such a program with authorities. The amount of financing has yet to be determined.

Quote of the Week

¶12. Answering journalists' questions at the Yama Memorial during an event to commemorate the 65th anniversary of the extermination of the Minsk ghetto, Lukashenka said:
"Nothing impedes our cooperation with Israel. We can and will expand this cooperation. Nothing impeded our cooperation with the Arab world either. Our friendship with Arabs is not against Jews, and our friendship with Jews is not against Arabs. This is not the kind of policy we would pursue, and that is why we succeed in all we do."

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LEADER